

## Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 NEA-14 ISO-00 OMB-01 IO-14 CIAE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01

PRS-01 SP-03 SS-20 AID-20 AF-10 EB-11 SR-02 ORM-03

COME-00 AGR-20 TRSE-00 CIEP-02 DRC-01 /197 W

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P R 091200Z JUL 74

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC PRIORITY 6817

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY JAKARTA

AMCONSUL HONG KONG

AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

USLO PEKING

AMEMBASSY RANGOON

AMEMBASSY SAIGON

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

USIA WASHDC

AMEMBASSY TOKYO

AMCONSUL UDORN

AMEMBASSY VIENTIANE

AMEMBASSY WELLINGTON

USMISSION USUN

AMCONSUL CAN THO

AMCONSUL BIEN HOA

AMEMBASSY TAIPEI

CINCPAC

CINCPACFLT

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CINCUSARPAC

DIA WASHDC  
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COMUSMACTHAI  
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III MAF  
CINCPACAF

C O N F I D E N T I A L SECTION 1 OF 2 PHNOM PENH 9157

E. O. 11652: GDS  
TAGS: PINT, PINS, PFOR, MPOS, ECON, CB  
SUBJECT: KHMER REPORT -- JULY 9, 1974

GENERAL

1. IN A MAJOR INITIATIVE ON JULY 9, THE GKR CALLED FOR UNCONDITIONAL NEGOTIATIONS WITH THE KHMERS OF THE OTHER SIDE AT ANY TIME AND AT ANY PLACE. THE NEW PROPOSAL DROPPED EARLIER GKR CONDITIONS REQUIRING A CEASE-FIRE, THE WITHDRAWAL OF ALL FOREIGN TROOPS AND THE REACTIVATION OF THE ICC PRIOR TO THE BEGINNING OF TALKS. THE GKR ALSO SHOWED CONSIDERABLE VERVE ON THE BATTLEFIELD THIS PAST WEEK. FANK KILLED OVER 450 ENEMY TROOPS ON ROUTE 5 NORTH OF PHNOM PENH AND PROVIDED PROTECTION FOR THE MOVEMENT OF APPROXIMATELY 15,000 VILLAGERS FROM KC-CONTROLLED AREAS TO GOVERNMENT SECURITY NEAR NEAK LUONG ALONG THE MEKONG. ALTHOUGH FANK HAD SEIZED MUCH OF THE INITIATIVE, THE COMMUNISTS HIT THE REAM AIR BASE, ENCIRCLED AN OUTPOST SOUTH OF BATTAMBANG, AND APPLIED HEAVY PRESSURE AGAINST KOMPONG SEILA ON ROUTE 4. IN PHNOM PENH, PRICES GENERALLY CONTINUED TO MOVE UP AND THE BLACK MARKET RATE FOR THE DOLLAR INCREASED SHARPLY TO ALMOST THREE TIMES THE OFFICIAL RATE. KHIEU SAMPHAN WAS REPORTED TO BE BACK ON HOME SOIL AFTER A VISIT WITH THE PRG IN QUANG TRI, AND GRUNK'S FOREIGN MINISTER CONTINUED HIS ASSIDUOUS WOOLING OF AFRICAN GOVERNMENTS.

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POLITICAL (INTERNAL)

2. IN A MAJOR INITIATIVE ANNOUNCED BY PRESIDENT LON NOL AND PREMIER LONG BORET ON JULY 9, THE GKR CALLED FOR THE OPENING OF UNCONDITIONAL PEACE TALKS WITH THE KHMER COMMUNISTS. IT APPEALED TO PEACE-LOVING NATIONS TO SUPPORT ALL KHMER "WHATEVER THEIR SIDE WITH A VIEW

TO AIDING IN THE ESTABLISHMENT OF A DIALOGUE BETWEEN KHMER." IN A PRESS CONFERENCE, PRIME MINISTER LONG BORET SAID THAT NEITHER THE PRESENTLY FAVORABLE MILITARY SITUATION NOR A SIGNAL FROM THE OTHER SIDE MOTIVATED THE PROPOSAL: THE GKR'S ONLY DESIRE, HE SAID, WAS TO END THE KILLING OF KHMER. COMMENT: A JULY 6, 1973 GKR SIX-POINT PEACE PROPOSAL HAS SERVED AS THE BASIS FOR THE GKR NEGOTIATING POSITION DURING THE PAST YEAR. THAT PLAN SET CONDITIONS FOR TALKS, SUCH AS A CEASE-FIRE, THE WITHDRAWAL OF FOREIGN TROOPS AND THE REACTIVATION OF THE ICC. THE NEW GKR PROPOSAL CALLS FOR NEGOTIATIONS WITHOUT PRIOR CONDITIONS.

3. REPUBLICAN PARTY MEMBERS TRINH HOANH AND CHHIENG KIM SUOR HAVE JOINED PARTY SPOKESMAN OP KIM ANG AS ASSISTANTS TO PRESIDENT LON NOL. BOTH OP KIM ANG AND SOCIO-REPUBLICAN LEADER PAN SOTHI NOW PARTICIPATE IN EXECUTIVE COUNCIL MEETINGS BUT WITHOUT FORMAL MEMBERSHIP. (SIRIK MATAK IS THE ONLY REPUBLICAN FORMALLY A MEMBERS OF THE COUNCIL.) COMMENT: REPUBLICAN PARTY ACCEPTANCE OF THE POSTS AS ASSISTANTS TO LON NOL REFLECTS THE PARTY'S WILLINGNESS TO CONTINUE THE PRESENT TWO-PARTY "COALITION" ARRANGEMENT DESPITE ITS EXCLUSION FROM LONG BORET'S CABINET.

POLITICAL (EXTERNAL)

4. THE LAOTIAN AMBASSADOR TO THE KHMER REPUBLIC LEFT PHNOM PENH JULY 5 UPON THE COMPLETION OF HIS ASSIGNMENT HERE. A REPLACEMENT HAS BEEN NAMED AND GIVE GKR AGREEMENT. THE PGNU, HOWEVER, HAS DELAYED HIS POSTING TO PHNOM PENH, APPARENTLY, ACCORDING TO OUR EMBASSY IN VIENTIANE, AS ONE PLOY IN THE PATHET LAO  
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CAMPAIGN TO GAIN PGNU RECOGNITION OF THE VIET CONG.

5. GKR FOREIGN MINISTER KEUKY LIM HAS TOLD A USDEL OFFICER AT THE CARACAS LAW OF THE SEA CONFERENCE THAT HE BELIEVES THE ADVERSE REACTION TO THE BELLICOSE PRC SPEECH TO THE CONFERENCE ON JULY 2 MAY HAVE HAD A DAMPENING EFFECT ON THE PRC'S EFFORTS TO PUSH THE KHMER CREDENTIALS ISSUE. KEUKY LIM DOES NOT, HOWEVER, BELIEVE THAT THE GKR IS OUT OF THE WOODS YET.

GRUNK/FUNK

6. KHIEU SAMPHAN FOLLOWED UP HIS JUNE 5-8 VISIT TO THE PATHET LAO (SEE LAST WEEKS'S KR) WITH A JUNE 11-13 STOP IN THE PRG "LIBERATED ZONE" IN QUANG TRM THE

OFFICIAL FORMULATIONS OF MUTUAL SUPPORT BETWEEN THE GRUNK DELEGATION AND STS PRG ISTS#WERE SOMEWHAT LUKEWARM; FUNK CLANDESTINE RADIO HAS MADE SEVERAL OBLIQUE REFERENCES TO THE VIST AS HAVING ASSISTED BOTH SIDES "TO BETTER UNDERSTAND HOW TO SOLVE SPECIAL PROBLEMS IN EACH COUNTRY, ESPECIALLY PROBLEMS RELATED TO THE STRUGGLE AGAINST THE AGGRESSION OF U.S. IMPERIALISM". THE JOINT COMMUNIQUE, HOWEVER, ALLEGED A "COMPLETE SIMILARITY OF VIEWS" ON ALL MATTERS DISCUSSED. ACCORDING TO FUNK RADIO, THE DELEGATION IS NOW BACK IN CAMBODIA.

7. FOREIGN MINISTER SARIN CHHAK CONTINUED HIS AFRICAN DIPLOMATIC SAFARI. AFTER LEAVING THE CENTRAL AFRICAN REPUBLIC (SEE LAST WEEK'S KR), HE WENT TO GABON ON JUNE 30, TO DAHOMEY ON JULY 2 (WHERE HE WAS RECEIVED BY PRESIDENT KEREKOU), AND TO UPPER VOLTA ON JULY 4. MEANWHILE, FROM PEKING, SIHANOUK PEPPERED MALAGASY, ZAIRE, SOMALIA, BURUNDI AND RWANDA WITH MESSAGES OF CONGRATUALTIONS ON THEIR NATIONAL DAYS.

NOTE BY OC/T: #AS RECEIVED.

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INFO OCT-01 EUR-25 NEA-14 ISO-00 OMB-01 IO-14 CIAE-00

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AMEMBASSY SEOUL  
AMEMBASSY SINGAPORE  
USIA WASHDC  
AMEMBASSY TOKYO  
AMCONSUL UDORN  
AMEMBASSY VIENTIANE  
AMEMBASSY WELLINGTON  
USMISSION USUN  
AMCONSUL CAN THO  
AMCONSUL BIEN HOA  
AMEMBASSY TAIPEI  
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CINCPACFLT  
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CINCUSARPAC  
DIA WASHDC  
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COMUSMACTHAI  
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COMUSSAG  
III MAF  
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ECONOMIC

8. A JULY 4-5 GOVERNMENT SWEEP, PREARRANGED WITH VILLAGER, BROUGHT APPROXIMATELY 15,000 VILLAGERS TO NEAK LUONG. THE NEW REFUGEES HAD BEEN LIVING UNDER COMMUNIST CONTROL IN AN AREAS BETWEEN THE BASSAC AND MEKONG RIVERS 10 TO 20 KILOMETERS WEST OF NEAK LUONG. CRS IS DISTRIBUTING FOOD, CLOTHES, MOSQUITO NETS AND HOUSEHOLD ITEMS. IT HAS ALSO FLOWN IN A MEDICAL TEAM AND, ALONG WITH CARE, IS PLANNING TO CONSTRUCT TEMPORARY HOUSING.

THE MINISTER OF COMMUNITY DEVELOPMENT IS CONDUCTING A CENSUS, AND THE RESETTLEMENT AND DEVELOPMENT FOUNDATION IS LOOKING INTO POSSIBLE RESETTLEMENT.

9. THE GKR COUNCIL OF MINISTERS HAS APPROVED, IN PRINCIPLE, FIRST NATIONAL CITY BANK'S REQUEST TO OPEN A BRANCH IN PHNOM PENH. THE OPERATING ARRANGEMENTS AND GUARANTEES ARE STILL TO BE WORKED OUT. THE TARGET DATE FOR THE OPENING OF THE BRANCH, WHICH WILL BE CALLED THE FIRST NATIONAL CAMBODIA BANK, IS SEPTEMBER 20.

10. FOR THE WEEK ENDING JULY 8, PRICES FOR COMMODITIES SOLD IN PHNOM PENH MARKETS REFLECTED A GENERAL UPWARD TREND. RICE WENT UP 8 PER CENT, BEEF 13 PER CENT, DUCK 26 PER CENT, SWEET PEPPER AND LOCAL CARROTS 50 PER CENT, AND FRESH WATER FISH 7 PER CENT. A NUMBER OF VEGETABLES DECLINED, HOWEVER, BETWEEN 12 AND 18 PER CENT.

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11. THE FREE MARKET EXCHANGE RATE FOR THE U.S. DOLLAR INCREASED 21 PER CENT, FROM 1,010 TO 1,220 RIELS. THIS SIZEABLE JUMP APPEARS TO BE THE CONSEQUENCE OF A THIN SUPPLY OF DOLLARS DURING A PERIOD OF HEAVY DEMAND TO SUSTAIN FAMILIES LIVING ABROAD, FINANCE FOREIGN VACATION TRAVEL, FINANCE THE IMPORT OF LUXURY ITEMS CURRENTLY RESTRICTED THROUGH OFFICIAL IMPORT CHANNELS, AND A GENERAL INCLINATION TO CONVERT RIEL HOLDINGS TO DOLLARS AS A HEDGE AGAINST INFLATION AND CONTINUING INTERNAL SECURITY PROBLEMS. DESPITE THIS RISE IN THE FREE MARKET RATE, THE GOVERNMENT HAS HELD THE OFFICIAL RATE TO 420 RIELS PER DOLLAR.

MILITARY

12. FANK FORCES SCORED ONE OF THEIR MOST NOTABLE RECENT SUCCESSES WHEN, ON ROUTE 5 NORTH OF PHNOM PENH, THEY CAPTURED THE MILITARILY AND HISTORICALLY IMPORTANT HILL OF PHNOM GHETARES AND BROKE THROUGH KC DEFENSES TO MOVE WITHIN A KILOMETER OF THE CITY OF OUDONG. OVER 450 KC WERE KILLED AND 90 ENEMY WEAPONS CAPTURED DURING THE FIGHTING WHILE FANK SUFFERED ONLY LIGHT LOSSES. FARTHER NORTH, GOVERNMENT FORCES AT LOVEK TOOK THE INITIATIVE AND SIGNIFICANTLY ENLARGED THE GARRISON'S PERIMETER.

13. COMMUNIST TROOPS CONTINUED TO EXERT PRESSURE ON FANK POSITIONS IN THE BATTAMBANG AREA AS THEY ATTACKED

AND ENCIRCLED A SMALL OUTPOST 30 KILOMETERS SOUTH OF THE CITY.

14. IN SOUTHWESTERN CAMBODIA, FANK REOCCUPIED ALL POSITIONS IN KOH KONG PROVINCE IT HAD LOST AT THE EN OF JUNE. IN KOMPONG SOM PROVINCE, HOWEVER, GOVERNMENT TROOPS FOR A TIME WERE PUSHED BACK FROM POSITIONS NORTHEAST OF THE REAM AIRBASE; COMMUNIST GUNNERS HIT  
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THE BASE SEVERAL TIMES AND ONE ATTACK DAMAGED THREE KAF T-28S. AT ENCIRCLED KOMPONG SEILA ON ROUTE 4, THE SITUATION CONTINUED TO DETERIORATE. ONE DEFENSIVE POSITION SOUTH OF THE GARRISON FELL, THE GARRISON CAME UNDER INTENSE COMMUNIST ARTILLERY AND MORTAR FIRE, AND A KAF OPERATION TO BRING OUT SOME 200 SERIOUSLY WOUNDED WAS UNSUCCESSFUL.

15. IN THE CAPITAL AREA, EIGHT 107 MM ROCKETS WERE FIRED INTO PHNOM PENH DURING THE WEEK, KILLING ONE PERSON AND WOUNDING 16. A MEKONG CONVOY ARRIVED AT THE CAPITAL ON JULY 5 AFTER HAVING TAKEN 19 HITS FROM COMMUNIST SHORE GUNNERS EN ROUTE. DESPITE THIS, THE CONVOY SUFFERED ONLY MINOR DAMAGE.

16. ELSEWHERE IN THE COUNTRY, THERE WAS LITTLE MILITARY ACTIVITY.  
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## Message Attributes

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